

**AGENDA ITEM 3b
INTERNAL AUDIT FINDINGS MORE THAN ONE YEAR OLD
AS OF JUNE 30, 2011**

Internal Audit Findings More Than One Year Old	
Title:	Self Funded Health Plans Cash Flow (01/11/2005)
Division responsible:	Health Plan Administration Division
<p>Observation: Finding 6.1 – Health Plan Administration should work with Fiscal Services to have each self funded health program product separately identified and accounted for within the Health Care Fund, so it can conduct effective cash flow planning, management, monitoring and control.</p> <p>Current Status: IN PROGRESS. Health Plan Administration will collaborate with Fiscal Services as opportunities arise to account for the six funds' separation. In the interim, Health Plan Administration manages the financial resources of the Health Care Fund by performing routine cash analysis and enhancing an internal spreadsheet to include the Medical and Pharmacy Claims with the basic and supplemental breakdowns for the three plans. <i>The Health Plan Administration Division submitted an acceptance of risk form in October 2011 which is in the review process.</i></p>	
Title:	Review of Internal Controls SAM 20060 Financial Integrity & State Manager's Accountability (09/30/2005)
Division responsible:	Enterprise Privacy and Protection Office
<p>Observation: Finding 1.2 – We reviewed the Enterprise Project Management Framework and were unable to identify explicit guidelines that require systems to undergo the certification and accreditation process. Innovation Services Division should incorporate into the system development process explicit guidelines for security certification and processing controls considerations. Currently, Enterprise Privacy & Protection has taken responsibility of the security certification and accreditation process.</p> <p>Current Status: IN PROGRESS. The Enterprise Privacy and Protection Office is working with Innovation and Implementation Services Division to implement a security Certification and Accreditation process that helps ensure that security is architected into IT projects. Target Completion Date is July 2011. <i>As this finding is more than one year old, the Enterprise Privacy and Protection Office should submit documentation for closure for the finding or should submit written acceptance of risk.</i></p>	
Title:	UNIX Operating System Security Review (07/31/2006)
Division responsible:	Enterprise Privacy and Protection Office
<p>Observation: Finding 8.1 – Current security practice requires periodic examinations to ensure compliance, but does not define who is responsible. Enterprise Privacy & Protection should clarify the monitoring roles.</p>	

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Current Status:

IN PROGRESS. The Enterprise Privacy and Protection Office will obtain a list of shared accounts and inform the responsible managers to resolve or disable non compliant accounts. Target completion date is November 2011. *As this finding is more than one year old, the Enterprise Privacy and Protection Office should submit documentation for closure for the finding or should submit written acceptance of risk.*

Title: Review of Retroactive Health Benefit Terminations (04/16/2007)

Division responsible: Customer Account Services Division

Observation:

Finding 2.1 – Customer Account Services should develop an active review and monitoring program to ensure that retroactive terminations, and any resulting reimbursements, are conducted accurately and in accordance with program regulations. Such a program should include identification and analysis of causes, correction, and implementation of corrective action as needed and appropriate. The monitoring program should include all segments of the population.

Current Status:

IN PROGRESS. As of June 30, 2011, staff was conducting division wide training on retroactive reimbursements. *Subsequent to June 30, 2011, the Customer Account Services Division completed corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Observation:

Finding 2.2 – Customer Account Services should work with Health Policy Research to ensure COMET correctly limits reimbursements in accordance with program regulations.

Current Status:

IN PROGRESS. Staff conducts division wide training on retroactive reimbursements. *As this finding is more than one year old, the Customer Account Services Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Title: Review of Internal Controls – FISMA (12/17/2007)

Division responsible: Enterprise Privacy and Protection Office

Observation:

Finding 1.6 – Enterprise Privacy & Protection does not currently monitor password compliance.

Current Status:

IN PROGRESS. The Information Technology Services Branch is unable to deploy the Control Compliance Suite tool in the production environment to provide improved compliance capabilities. The Enterprise Privacy and Protection Office will consider a new resolution and no target completion date has been established. *Subsequent to June 30, 2011, the Enterprise Privacy and Protection Office submitted an acceptance of risk form in September 2011 which is pending review.*

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Observation:

Finding 1.9 – We reviewed a sample of 6 systems and did not observe evidence that management reviewed system logs for changes made to user profiles by security administrators.

Current Status:

IN PROGRESS. The Information Technology Services Branch is unable to deploy the Control Compliance Suite tool in the production environment to provide improved compliance capabilities. The Enterprise Privacy and Protection Office will consider a new resolution and no target completion date has been established. *Subsequent to June 30, 2011, the Enterprise Privacy and Protection Office submitted an acceptance of risk form in September 2011 which is pending review.*

Observation:

Finding 1.14 – Data owner responsibilities are defined, but not all are implemented. Out of 11 systems' data owners that were contacted, 7 indicated that they are not currently performing a periodic review of user accounts to ensure that access granted remains appropriate.

Current Status:

IN PROGRESS. The Enterprise Privacy and Protection Office requested that all Data Owners submit a current, signed Data Owner form, which indicated that they are aware of their responsibilities as a Data Owner. As of June 30, 2011, not all Data Owners had submitted the required forms. *Subsequent to June 30, 2011, the Enterprise Privacy and Protection Office completed corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Observation:

Finding 1.15 – A sample of 30 termination/transfer requests were tested. Nineteen requests were not submitted five days or more before the effective date. Ten of the 30 requests were not processed within 10 days from the request or effective date, whichever was later.

Current Status:

IN PROGRESS. The Enterprise Privacy and Protection Office worked to identify updated procedures to mitigate the risk associated with not terminating user accounts timely. Target completion date was July 2011. *Subsequent to June 30, 2011, the Enterprise Privacy and Protection Office provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Title: Review of Self-Funded Rate Development (08/29/2008)

Division responsible: Health Policy Research Division

Observation:

Finding 1.1 – Although Health Policy Research has several tools to guide the rate development process, it lacks formal comprehensive policies and procedures that would allow for transparency.

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Current Status:

IN PROGRESS. Health Policy Research Division is developing a detailed description of the self-funded rate development process and a glossary of rate development terminology. *As this finding is more than one year old, the Health Policy Research Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Observation:

Finding 1.2 – Health Policy Research does not have a documented quality control process for the rate development process.

Current Status:

IN PROGRESS. Health Policy Research Division is still in the process of designing and implementing a quality control process for each step in the rate development process. *As this finding is more than one year old, the Health Policy Research Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Title: Peace Officers Research Association of California Medical Plan (04/03/2009)

Division responsible: Health Plan Administration Division

Observation:

Finding 6.1 – Our review found that there is no contractual requirement for Anthem to provide notification to the Peace Officers Research Association of California for breaches of confidentiality of personal health information.

Current Status:

IN PROGRESS. Anthem Blue Cross indemnifies Peace Officers Research Association of California (PORAC) for the consequences of any breach by Anthem Blue Cross for confidential information. CalPERS has provided model language to PORAC for incorporation into their agreement with Anthem. CalPERS and PORAC will work to develop breach notification language in the upcoming amendment. *Subsequent to June 30, 2011, the Health Plan Administration Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Title: Kaiser Medicare Surcharge Review (06/30/2009)

Division responsible: Health Policy Research Division

Observation:

Finding 1.1 – Our review showed that not all of the documentation was provided to assure the overall accuracy or validity of the Medicare Surcharge Buyout Premium.

Current Status:

IN PROGRESS. Health Policy Research Division is working with Kaiser to receive a data file that will allow Health Policy and Planning to review and validate information for

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the Medicare Surcharge Buyout Premium and should receive the first production file by July 2010. A long-term solution is dependent upon PSR/Voluntary Data Sharing Agreement implementation. *As this finding is more than one year old, the Health Policy Research Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Observation:

Finding 1.2 – The Medicare Surcharge population identified by Kaiser in its Premcat report does not agree with the File Tracking Log generated by Kaiser, nor with CalPERS' records. These differences represent an average variances of 25.5 percent.

Current Status:

IN PROGRESS. Kaiser and Health Policy Research Division have developed a data file with the Medicare Surcharge Buyout Premium detail for Health Benefits to review and validate the information. Customer Account Services and Health Policy Research Division are developing procedures to address this new file and data. A long-term solution is dependent upon PSR/Voluntary Data Sharing Agreement implementation. *As this finding is more than one year old, the Health Policy Research Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Observation:

Finding 1.3 – Our review found no errors in the calculation of the Medicare Surcharge reconciliation. However, we noted that Kaiser does not provide Health Policy and Planning with member detail to verify the accuracy of the population.

Current Status:

IN PROGRESS. Health Policy Research Division is working with Kaiser to receive a data file that will allow Health Policy and Planning to review and validate information for the Medicare Surcharge Buyout Premium. Customer Account Services and Health Policy Research Division are developing procedures to address this new file and data. A long-term solution is dependent upon PSR/Voluntary Data Sharing Agreement implementation. *Subsequent to June 30, 2011, the Health Policy Research Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Title: Post Implementation of Cash Manager (08/19/2009)

Division responsible: Investment Office

Observation:

Finding 1.5 – Our review found the need for secondary authorization of all wire requests prior to submission to Fiscal Services.

Current Status:

IN PROGRESS. The Investment Office will implement a secondary authorization requirement for all wire transfer requests and document it in each asset class procedures. *Subsequent to June 30, 2011, the Investment Office provided evidence of*

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corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.

Title: Long Term Care Group (08/26/2009)

Division responsible: Health Plan Administration Division

Observation:

Finding 1.3 – We reviewed seven claim appeal case files for completeness. We found some of the case files lacked key documents, such as initial appeal request letters, complete medical information, and disposition letters.

Current Status:

IN PROGRESS. Health Plan Administration Division is in the process of ensuring appeal case files are complete. *As this finding is more than one year old, the Health Plan Administration Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Observation:

Finding 3.1 – After reviewing a subcontractors' agreement with Long Term Care Group, we found there was no amendment to the 2007 service agreement for the 2008 fees. The agreement signed in 2008 lacked the specificity found in the 2007 agreement.

Current Status:

IN PROGRESS. New or existing subcontractor agreements will be held subject to the contract provision to undergo CalPERS approval and contain information that clearly defines the roles and responsibilities of the subcontractors prior to approval consideration. *Subsequent to June 30, 2011, the Health Plan Administration Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Observation:

Finding 3.3 – Health Plan Administration did not have a copy of the Long Term Care Group's 2008 resumption/disaster recovery plan submitted. Also, Health Plan Administration asserts that some of the existing reports received have been renamed, modified, and renumbered.

Current Status:

IN PROGRESS. Health Plan Administration Division has strengthened its monitoring of the disaster recovery contract, however, monitoring of other contract deliverables and requirements or changing the agreement terms remains to be demonstrated. *As this finding is more than one year old, the Health Plan Administration Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Observation:

Finding 3.4 – While the agreement requires numerous reports, we suggest the Health Plan Administration obtain additional reports from Long Term Care Group, such as fraud prevention and detection reporting.

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Current Status:

IN PROGRESS. Staff will pursue opportunities to enhance contractual provisions by adding clarity and specific requirements via the contract amendment, and or contract renewal processes. *Subsequent to June 30, 2011, the Health Plan Administration Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Observation:

Finding 3.5 – We sampled five labor costs invoices associated with the 2007 rate increase and administrative hearings. Long Term Care Group's agreement and Statements of Work did not clearly define the rate of pay for specific staff.

Current Status:

IN PROGRESS. Future contracts and amendments will include a detailed schedule of labor fees where appropriate. *Subsequent to June 30, 2011, the Health Plan Administration Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

Title: Anthem Blue Cross (10/08/2009)

Division responsible: Health Plan Administration Division

Observation:

Finding 39.1 – We reviewed the monthly premium discrepancies referred to CalPERS. We noted 120 out of 966 (13 percent) discrepancies identified in January 2008 remained unresolved through October 2008. A similar issue was identified in the prior year's financial statement audit.

Current Status:

IN PROGRESS. CalPERS Health Plan Administration and Anthem continue to work on timely follow up of unresolved eligibility and premium discrepancies. *As this finding is more than one year old, the Health Plan Administration Division should submit documentation for closure for the finding or should submit written acceptance of risk.*

Title: Blue Shield of California (05/10/2010)

Division responsible: Health Plan Administration Division

Observation:

Finding 3.1 – For the LifeMaps Program reporting, we reviewed the information for the first and second quarter of 2009. We found the information was incorrect and pertained to another Blue Shield account.

Current Status:

IN PROGRESS. Blue Shield acknowledges this was a human quality control error, and was an isolated error. We have instituted a second quality check to ensure that the data is verified twice by two separate individuals prior to submission to CalPERS. *Subsequent to June 30, 2011, the Health Plan Administration Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*

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Observation:

Finding 4.1 – Our review found a need for Blue Shield to clarify an allowable exception rate related to the grievance reporting.

Current Status:

IN PROGRESS. Blue Shield will add this recommendation to the list of items for discussion with CalPERS Contract Staff in the next scheduled contract negotiation meeting. *Subsequent to June 30, 2011, the Health Plan Administration Division provided evidence of corrective action. The finding will be reported as complete for the quarter ending September 30, 2011.*